



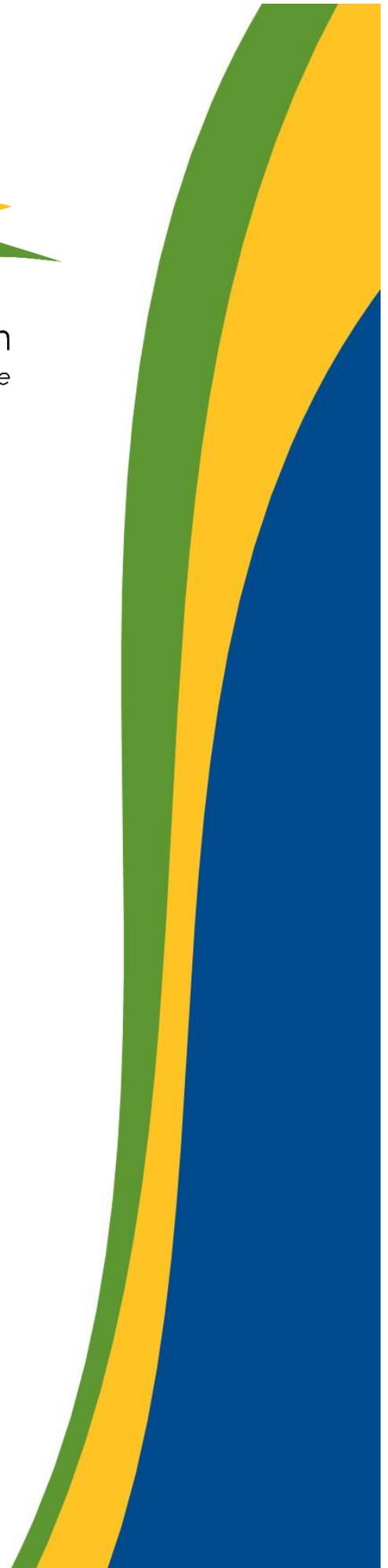
Shire of Northam  
*Heritage, Commerce and Lifestyle*

## **Shire of Northam**

### **Agenda**

### **Special Council Meeting**

**2 February 2017**



**NOTICE PAPER**  
**Special Council Meeting**  
**2 February 2017**

President and Councillors

I inform you that a Special Council meeting will be held in the Council Chambers, located at 395 Fitzgerald Street, Northam on 2 February 2017 at 5:30pm.

Yours faithfully



**Chadd Hunt**  
**Acting Chief Executive Officer**

## DISCLAIMER

This agenda has yet to be dealt with by the Council. The Recommendations shown at the foot of each item have yet to be considered by the Council and are not to be interpreted as being the position of the Council. The minutes of the meeting held to discuss this agenda should be read to ascertain the decision of the Council.

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## 1. DECLARATION OF OPENING

## 2. ATTENDANCE

### Council:

Shire President  
Deputy Shire President  
Councillors

S B Pollard  
T M Little  
D G Beresford  
J E Williams  
J Proud  
R W Tinetti  
C L Davidson  
U Rumjantsev  
C R Antonio  
D A Hughes

### Staff:

Chief Executive Officer  
Executive Manager Engineering Services  
Executive Manager Development Services  
Executive Manager Community Services  
Executive Manager Corporate Services  
Executive Assistant – CEO

J B Whiteaker  
C D Kleynhans  
C B Hunt  
R Rayson  
C Young  
A C Maxwell

### Guest:

Iredale Pedersen Hook Architects

A Iredale

### 2.1 APOLOGIES

Nil.

### 2.2 APPROVED LEAVE OF ABSENCE

Nil.

## 3. DISCLOSURE OF INTERESTS

Item Name	Item No.	Name	Type of Interest	Nature of Interest

## 4. ANNOUNCEMENT BY THE PRESIDING MEMBER (WITHOUT DISCUSSION)

Nil.

**5. PUBLIC QUESTION/STATEMENT TIME**

**5.1 PUBLIC QUESTIONS**

**5.2 PUBLIC STATEMENTS**

**6. RESPONSE TO PREVIOUS PUBLIC QUESTIONS TAKEN ON NOTICE**

Nil.

**7. RECEIVING OF PETITIONS, PRESENTATIONS AND DEPUTATIONS**

**7.1 PETITIONS**

Nil.

**7.2 PRESENTATIONS**

Nil.

**7.3 DEPUTATIONS**

Nil.

**8. APPLICATION FOR LEAVE OF ABSENCE**

Nil.

**9. CONFIRMATION OF MINUTES**

Nil.

**10. ITEMS BROUGHT FORWARD FOR THE CONVENIENCE OF THOSE IN THE PUBLIC GALLERY**

Nil.

**11. REPORTS OF COMMITTEE MEETINGS**

Nil.

## 12. SPECIAL ITEMS

### 12.1 Tender 5 of 2016 – Construction of Aboriginal and Environmental Interpretive Centre

<b>Address:</b>	Grey Street/Minson Avenue, Northam
<b>Owner:</b>	Shire of Northam
<b>File Reference:</b>	1.3.13.5
<b>Reporting Officer:</b>	Ross Rayson Executive Manager Community Services
<b>Responsible Officer:</b>	Chadd Hunt Acting Chief Executive Officer
<b>Voting Requirement</b>	Absolute Majority

#### BRIEF

For the Council to consider tenders received in response to the Request for Tender 5 of 2016 – Construction of Aboriginal and Environmental Interpretive Centre. This report provides details of the tenders received and project budget amendment proposed to allow Council to appoint a successful tenderer to construct the Aboriginal and Environmental Interpretive Centre (AEIC).

#### ATTACHMENTS

- Attachment 1: Tender Evaluation report
- Attachment 2: Schedule of Tender Savings
- Attachment 3: Architectural drawings set

Note: The attachments have been provided to Elected Members as a separate confidential attachment to this agenda/minutes.

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#### BACKGROUND / DETAILS

Council resolved at its meeting held on 18<sup>th</sup> May 2016 the following with respect to the AEIC –

*That Council;*

- 1. Endorse the architectural design as presented and authorise progress through to detailed design*
- 2. Accept the interpretive design concept, with the direction that the interpretation needs to incorporate a stronger 'environmental' element, to meet the brief of Aboriginal and Environmental Centre, on the*

*understanding that a more detailed design will be presented to Council for final endorsement.*

Following this resolution detailed plans were developed to allow the construction to be tendered. Subsequently Tender 5 of 2016 for the construction of the AEIC was advertised on 5th November 2016. The tender process was conducted by WALGA through the online tender portal. As part of the tender process, an onsite meeting for prospective tenderers was held on 11 November 2016 and tender submissions closed on 6th December 2016.

The evaluation panel consisted of the CEO, Executive Manager Development Services, Executive Manager Community Services, Executive Manager Engineering Services, Joel Fuller - Iredale Pedersen Hook (Architect) and Rosemarie Ash -WALGA. A total of four (4) tender submissions were received and each was evaluated in accordance with the tender documents and the following qualitative criteria was used in arriving at the final report –

Related Experience – 20%  
Project Consideration – 40%  
Project Methodology – 40%

Following the qualitative evaluation, pricing was ranked from least expensive and a Relative Value for money assessment undertaken. Following this assessment the recommended Tenderer ranked second in the Qualitative Criteria (only marginally lower than the highest ranked), submitted the lowest price and scored the highest in the Relative Value of Money Assessment.

A full report on the procurement process and tender evaluation is provided in Confidential - Attachment 1.

## **CONSIDERATIONS**

### **Strategic Community / Corporate Business Plan**

Objective C4: Protect and promote the Shire's diverse culture and heritage.  
Strategy C4.3: Understand and acknowledge Aboriginal and European heritage through the provision of interpretive venues, materials and activities.  
Action: Construct Northam Aboriginal & Environmental Interpretive Centre.

### **Financial / Resource Implications**

At the time of the original \$2,100,000 grant submission to the Department of Infrastructure and Regional Development it was estimated that the total project cost for the AEIC (inclusive of Architectural design, interpretive design and construction) would be \$4,200,000. At this point Council, in effect, underwrote the gap of \$2,100,000.

Fortunately, Council has been able to leverage the initial \$2.1m grant and secure an additional \$2,300,000 in external grant funding. The additional external funding for the project has been received from the following sources:

- LotteryWest - \$2,000,000.00
- Royalties for Regions - \$300,000.00

The following table details current funding available for the entire project-

<b>Aboriginal &amp; Environmental Interpretive Centre</b>	
Funding	Amount
National Stronger Regions Fund	\$2,100,000
Lottery West	\$2,000,000
Wheatbelt Development Commission	\$300,000
RFR Supertowns Planning Funding	\$209,400
Transfer from the Regional Development Reserve	\$400,981
<i>Recommended Sale of Land Budget Review (unconfirmed allocation)</i>	<i>\$175,000</i>
<b>Total Funding</b>	<b>\$5,185,381</b>

The initial grant application was based on broad conceptual designs with no detailed costing available, subsequently work on the building design and Interpretive design has enabled the total cost to be more clearly defined.

As part of the due diligence for the project, a quantity surveyor (QS) was utilised to assess the estimated cost of the project to make best endeavour to keep the tender price within initial estimates. Unfortunately QS can only provide a prediction with the final design cost only known once tenders are called and submitted. In this instance it is evident that the QS was significantly less than the market price.

The following table provides a summary of current identified capital costs for the AEIC:

		Budget 2016 Report	May Council	Budget 2017 (based on Tender - with building deletions)	Budget January 2017 (based on Tender as submitted)
Architectural design		321,000		347,450	347,450
Interpretive design		111,500		115,500	115,500
Interpretive Fit out		750,000		750,000	750,000
Surrounds	150,000			0	0
Contingency	405,000			241,974	269,979
Escalation	32,500			0	0
Building	2,570,000	3,157,500.00		4,092,820	4,649,582
Headwork's		150,000		106,000	106,000
Procurement		0		12,000	12,000
Superintendent*		0		115,000	115,000
Total		4,490,000		5,780,744	6,365,511

\*This fee was agreed to in the original awarding of the tender for the design of the building. This represents a fee for the Architect to project manage the construction phase. At this point staff are of the view that this will be awarded.

Note: the Building Cost is based on all the deletions recommended by the Architect – should Council not agree to all the deletions then obviously the total budget cost will need to be increased.

Council has a number of options with respect to the funding shortfall (currently \$595,363 based on current building deletions) should it wish to proceed with the current project budget. The Regional Development Reserve is budgeted to have a closing balance of \$426,000 at the end of the 2016/17 Financial Year and a proportion of those funds are available to be used for the project. As the project is to be expended over two financial years there is an opportunity to allocate a portion of the costs in the 2017-18 budget or fund the total \$595,363 though debt.

Staff have utilised a new tool developed by the WA Treasury Corporation to assist in the assessment of Council capacity to accommodate the total additional funding shortfall, \$595,363 from additional debt.

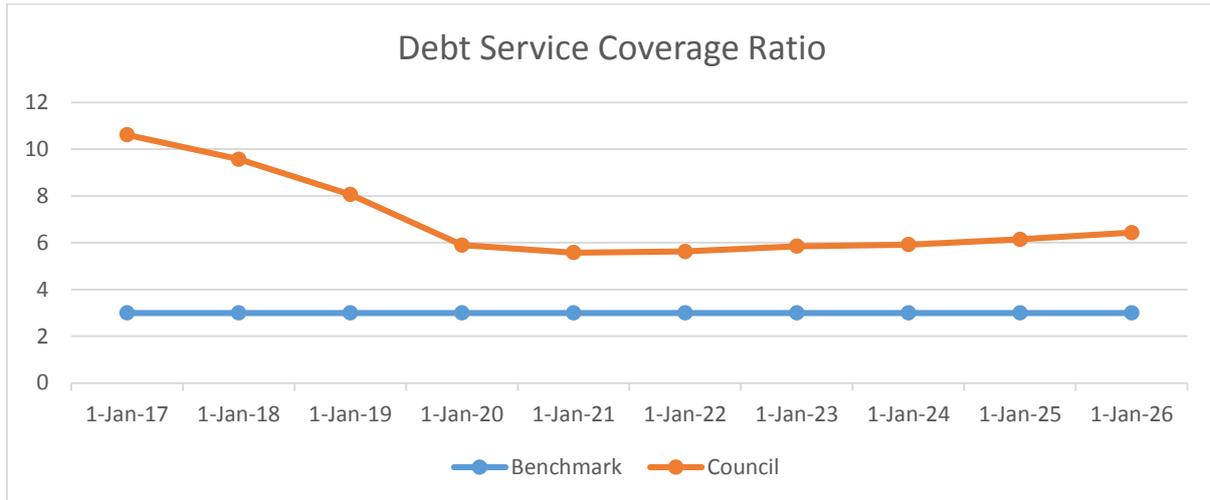
The model as presented includes the additional debt budgeted for in the 2016/17 financial year being, Swimming Pool \$1,000,000, Youth Precedent \$500,000 and the Self Supporting Loan for the Northam Bowling Club \$150,000. Future figures are based on the draft LTFP that includes the following additional loans, Northam Swimming Pool development \$2,251,933 and the Northam works Depot \$2,033,000 budgeted for in 2018/19 and 2020/21 respectfully.



Total debt repayment is expected to peak during 2020/21 at approximately \$731,981 per annum.

Debt Service Cover ratio

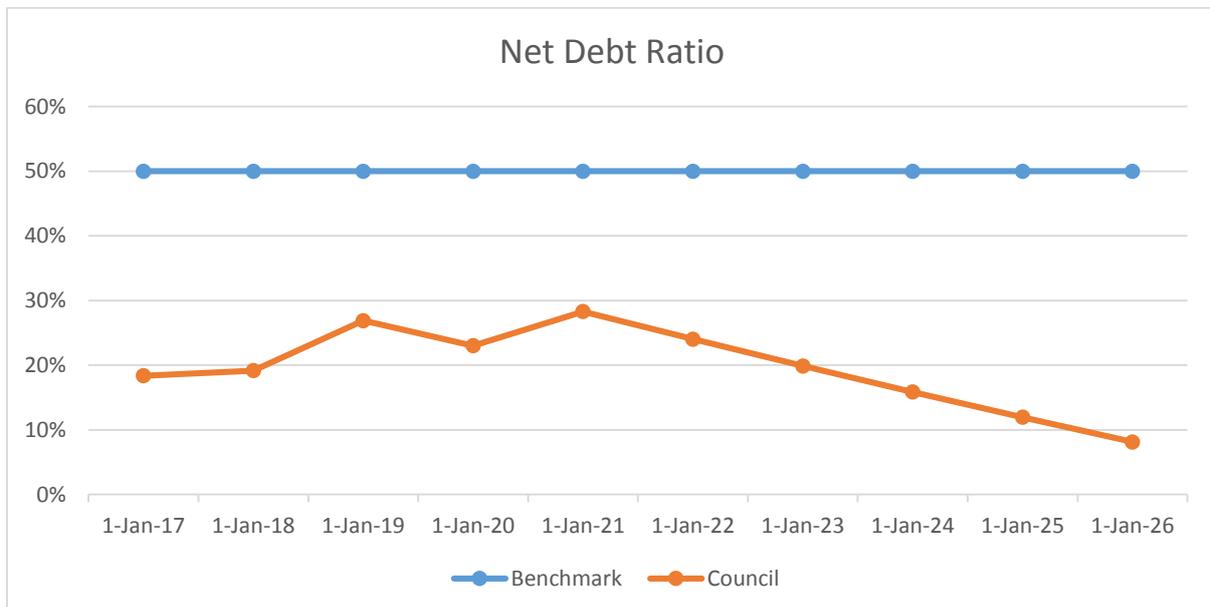
This ratio is an indicator of the Council's ability to generate sufficient cash to cover its debt payments. A ratio of greater than 2 is identified as a basic standard. For the purposes of this assessment a benchmark of 3 has been utilised.



As the chart indicates Council, if it proceeds with the project will have sufficient capacity to accommodate it from a cash flow perspective.

Net debt ratio

Has been utilised as an assessment of the Council debt level as a percentage of operating revenue as another indicator of the Council's ability to accommodate the required levels of debt.



The net debt ratio is also within the parameters established as being acceptable.

In addition to the debt funding option, Council could look at additional land sales to assist funding the expected shortfall.

**Legislative Compliance**

Section 3.57 of the Local Government Act 1995 requires "A local government is required to invite tenders before it enters into a contract of a prescribed kind under which another person is to supply goods and services".

The Local Government (Functions & General) Regulations 1996 prescribe the manner in which Tenders are to be called and assessed.

**Policy Implications**

Policy F 4.2 – Purchasing and Tendering Policy.

**Stake Holder Engagement / Consultation**

Extensive consultation has occurred between staff, WALGA the Architects and the tenderer.

**Risk Implications**

The following is based on the original risk assessment undertaken for the project.

Risk description	Risk probability (low, medium, high)	Action manager	Containment strategy	Additional comment
Inability to secure additional funding for the project.	High	Project Team	Develop a funding strategy. Council has agreed to underwrite the required funds.	This risk has been mitigated to a large degree, with Council's own source revenue exposure being limited
Inability to receive the required approvals in a timely manner.	Medium	Project Team	Identify approvals required and develop a project Gantt chart	All necessary approvals have been secured to date.



Risk description	Risk probability (low, medium, high)	Action manager	Containment strategy	Additional comment
Inability to commence project works when required by financial agreements.	Medium	Project Team	Possible extension of funding delivery timeframes.  Keep all funding groups advised of progress against agreed timeframes.	This remains a risk in the event Council does not wish to accept any tender offered. If this were to be the case staff would commence engagement with the funding bodies as a matter of priority. This is a more significant risk to the project in the event Council opts for a redesign.
Inability to get required community buy in and support.	Medium	Project Team	Develop a Communications Plan.	To date buy in from the Noongar Community has been positive, however this remains a risk to the overall project success.
Project unable to be delivered due to environmental factors.	Medium	Project Team	Develop a list of environmental factors and seek input from DoW and any other potential approval agency.  Keep local member/Minister briefed on the progress of the project.	
Insufficient internal skill coverage to manage the project.	Medium	Project Team	Develop a skills matrix of the project team.  Engage external support on the project management group.	This remains a risk to the project, however the use of external project management is still being strongly considered.

Risk description	Risk probability (low, medium, high)	Action manager	Containment strategy	Additional comment
Project does not proceed due to funding constraints	Medium	Project Team	Identify additional funding opportunities including Council funds	This represents a significant reputational risk for both within the community (given the level of consultation undertaken) and externally with both the state and federal Government who have committed financially to the projects based on Councils commitment to the project.

Risk Probability Table

Low	Unlikely to occur during the project period and with little impact on the project
Medium	Possibility of occurrence and with some impact on the project
High	Very likely to occur during the project period and potentially impacting heavily

**OFFICER'S COMMENT**

A full report on the procurement process and outcomes is provided as a separate document.

All of the tenders received tendered a price above the anticipated construction cost of \$3.15 million (based on quantity Surveyor estimate). At the completion of the tender evaluation, FIRM Construction were ranked 1. Subsequent to the tender evaluation, discussions between Firm Constructions, the Architects (Iredale, Pedersen Hook) and the Shire have been undertaken to identify savings in building design and construction to reduce the construction price. The basis of the discussions was to identify savings which could be achieved without:

- Requirement for building design changes (possibly requiring a new tender process), or
- Compromising the integrity of the building and its purpose



A comprehensive list of savings, totalling approximately \$480,000 has been identified by the architects and the builder. These savings are identified in Attachment 2. In addition the architects have identified several other opportunities for cost saving of up to an additional \$81,000 (also included in Attachment 2). If Council chooses to accept all of the savings, the final tender price will be approximately \$4,089,490.

Staff in reviewing the list of savings have identified several items that requires some further consideration:

1. SV 03 and 04 – Chimney and Fire Pit. Whilst the concept is supported generally another option exists to develop a “meeting place” between the existing Visitor Centre and proposed building.
2. SV 07 – Delete Lift. The cost associated with installing the lift is significant and alternate compliant access to the building is located via the proposed ramp.
3. SV 08 – Delete Lift Shaft. A suggestion is to retain the lift shaft so that if in the future a lift can be added there will be reduced retrofitting costs.
4. SV 09 – Delete footpath, walkway and stair to lift lobby – obviously if the lift is deleted then this is not required at this stage.
5. SV 12 – Delete Photo Voltaic Array – the installation of the system will be pursued separately with a private power provider.
6. SV 13 – Delete Water Tank – staff suggest that this should remain due to the cost of retrofitting later and given a key element of the project is focused on 'Environmental' outcomes.

Council has a number of options:

- Option 1  
Award the tender for the AEIC at the original tender price of \$4,649,582 with a funding shortfall of approximately \$1.18 million to be sourced from the Regional Development Reserve (\$400,000) and the remaining funds being sourced from the 2017-2018 Financial Year or via debt.
- Option 2  
Accept the complete list of identified savings as identified, giving a revised tender price of \$4,089,490 with an overall project funding shortfall of approximately \$595,363 being sourced from the Regional Development Reserve (\$400,000) and a budget allocation of \$195,000 in the 2017-18 Financial Year.
- Option 3  
Identify any of the potential savings items that it is felt need to remain in the project, and adjust the final tender price accordingly. (E.g. whilst the lift is not a compliance requirement, Council may wish for it to be included; or Council may see the gathering space as an integral part of

the building purpose). Depending on the level of additional costs funding for the shortfall would be through either Option 1 or 2 as per above.

- Option 4  
Not accept any tenders and re-tender the project based on the cost designs already identified. Initial discussions with the Architects have suggested that this will delay the project by up to 10 weeks. The issue identified by staff with this option is the fact that there is unlikely to be any more cost savings than currently identified. In addition delaying the project by this period of time may have consequences from both a site access perspective as well as with the funding bodies.
- Option 5  
Not accept any tenders and redesign and re-tender the project based on the original approved building budget. The Architects have indicated that this will delay the project for up to 14 to 16 weeks. The issue staff have with this option is that the building design may significantly change from what is currently proposed which will have issues with respect to the statutory approval processes, potential redesign of the interpretive space (given that the current space is being designed currently). As per the above option the delay in construction time is a concern from a site access and funding body perspective. There is also a high risk that this option would attract additional consultant's fees. This has been discussed with the Architect and a review of the terms of agreement would need to be undertaken to ascertain what contractual obligations exist.

In staff's opinion the most appropriate action to progress the project forward is to accept the changes suggested by the Architect and Builder with the required shortfall in funding being sourced from the Regional Development Reserve and Council budget in 2017-18.

## RECOMMENDATION

### That Council;

1. Endorses the outcomes of the tender evaluation panel's assessment in relation to Tender No.5 of 2016 for the construction of the Aboriginal & Environmental Interpretive Centre which has resulted in the tender submitted by FIRM Construction being ranked as the most advantageous to Council.
2. Delegate authority to the CEO to award the contract pursuant to Tender 5 of 2016 to FIRM Constructions, subject to negotiations over the final contract sum including, but not limited to, the deletion of the following identified building components-
  - SV 01 – Delete New gathering space and associated seating
  - SV 02 – Revise detail for under croft car park
  - SV 03 – Delete Chimney
  - SV 04 - Delete precast fire pit and seating
  - SV 05 – Delete Skylight
  - SV 06 – Reduce suspended slab thickness
  - SV 07 – Delete lift
  - SV 08 – Delete lift shaft
  - SV 09 – Delete footpath, walkway and stair to lift lobby
  - SV 10 – Delete profiled metal soft lining
  - SV 11 – Delete bin store
  - SV 12 – Delete photo voltaic array
  - SV 14 – Revise extents of recycled jarrah timber screen (A)
  - SV 15 - Revise extents of recycled jarrah timber screen (B)
  - SV 16 – Delete wall tiles to wet areas
  - SV 17 – Delete galvanised steel plate entry snoot
  - SV 18 – Delete window WT4/W05
  - SV 21 – Substitute wall cladding specification
  - SV 22 – Substitute roofing specification
  - SV 23 – Delete cast-in galvanised steel plate to workshop
  - SV 24 – Delete slab set down and infill topping slab to interpretive exhibition space
  - SV 25 – Delete rammed earth walls, replace with reduced extent of low height face block work walls
  - SV 26 – Delete portion of concrete paving to top of walkway
  - SV 27 – Delete 5 off trees and portion of landscaping
  - SV 28 – Substitute automatic sliding entry doors with hinged double doors
  - SV 29 – Substitute automatic sliding doors into “immersive Space” with hinged double doors
  - SV 30 – Substitute automatic sliding door out of interpretive space with hinged double door
  - SV 31 – Delete double glazed door within DT3/W05

- SV 32 – Reduce extent of curved sliding doors**
- SV 33 – Delete track and track lighting to office**
- SV 34 – Delete track and track lighting to workshop/meeting**
- SV 35 – Delete external wall mounted luminaries**
- SV 36 – Delete external timber screen mounted luminaries**
- SV 37 – Reduce extent of lighting to Entry and shop/gallery**
- SV 38 – Delete two off 3 phase instantaneous hot water units**
- SV 39 – Delete cleaners sink and three phase instantaneous hot water units**
- SV 40 – Delete 1 off 1.5 glazed door to lift lobby**
- SV 41 – Delete 1 off fan coil unit**
- SV 42 – Delete joinery to interp admin/store**
- SV A.01- Delete coloured oxides to all concrete as currently documented**
- SV A.02- Cost for coloured oxides for portions of work already removed in earlier items**
- SV A.03- Replace all 150 thick precast concrete walls with 390x140 core filled block work**
- SV A.04-Cost difference for pre-cast concrete v core filled block work for portions already removed in earlier items**
- SV A.05- Potential savings for alternate permanent formwork system**

- 3. Authorise the Chief Executive Officer to commence the procurement of an alternative 'clean energy' power source, such as a photovoltaic array.**
- 4. Authorise the allocation of additional funds of up to \$400,000 from the Regional Development Reserve to the project and an allocation of up to \$195,363 in the 2017-18 Budget.**

**ABSOLUTE MAJORITY VOTE REQUIRED**

**13. MATTERS BEHIND CLOSED DOORS**

Nil.

**14. MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN**

Nil.

**15. URGENT BUSINESS APPROVED BY PERSON PRESIDING OR BY DECISION**

Nil.

**16. DECLARATION OF CLOSURE**